

ATIR (11-7a)

30 April 1997

MEMORANDUM FOR OASA(FM) SAFM-FOI, WASH DC 20310-0109

SUBJECT: Information Requirements for Semiannual Report to Congress, RCS-IG(SA)  
1717 (1 October 1996 to 31 March 1997)

1. Subject report follows.
2. Our point of contact is Mr. Gentry, e-mail address gentryw@emh10.monroe.army.mil or DSN 680-3946,.

FOR THE CHIEF, OFFICE OF INTERNAL REVIEW AND AUDIT ACOMPLIANCE:

///signed///

W. R. GENTRY  
Senior Auditor

U.S. ARMY TRAINING AND DOCTRINE COMMAND  
FORT MONROE, VIRGINIA

Synopsis of Significant Audit Reports

For the Report Period

1 October 1996 through 31 March 1997

Audit Report Code 97-1, IMPAC Credit Card Utilization. The Garrison Commander requested IRAC review the utilization of the International Merchant Purchase Authorization Card (IMPAC) Program. Auditors reviewed the frequency of card usage, propriety of purchases, documentation, and timely submission of receipt documentation to DFAS. IRAC auditors concluded that card usage was increasing rapidly, and card holders had made unauthorized purchases. Additionally, activities did not always maintain proper documentation but generally did submit receiving documents timely. During the audit, auditors did discover fraudulent misuse of the government credit card which they referred to the CID for investigation. The case is still under investigation.

Audit Report Code 97-2, Follow-Up Audit of Aircraft Maintenance Contractor Supply Operations. The follow-up disclosed that the value of excess stock turn-ins exceeded the amount estimated in the initial report. Additional cost savings identified by the follow-up audit amounted to about \$181,715 annually and \$1,090,290 over the POM years.

Audit Report Code 97-3, Maintenance Test Pilot Course Test. The audit objective was to determine why the course was the most expensive training course at the installation. The audit identified 5 ways to reduce operating costs for the course. (1) Promote early retirement for eligible employees and hiring new employees at much lower wages. (2) Transfer of the UH-1 course to the National Guard. (3) Combining OH-58 and AH8 courses. (4) Development of a weather cancellation program that would allow the contractor to release personnel early. (5) Releasing contractor personnel on five scheduled down days. The recommendations could result in one time cost savings of \$1 million, and \$ 2.3 million annually.

Audit Report Code 97-4, Golf Course. The overall objective was to review internal management controls. Auditors concluded that the golf course could potentially lose \$21,408 in revenues annually because of inaccurate membership listings. The report contained 6 recommendations addressing the need for positive internal controls in the areas of inventory management and membership records.

Audit Report Code 97-5, Unit Prescribed Load List (PLL). The objective of this review was to review PLL and overall supply requirements for the unit. Recommendations to reduce excessive PLL and re-compute requirements could produce annual savings of \$ 224,349 and \$ 1,346,094 over the POM years.

U.S. ARMY TRAINING AND DOCTRINE COMMAND  
FORT MONROE, VIRGINIA

Synopsis of Significant Audit Reports

For the Report Period

1 October 1996 through 31 March 1997

(Continued)

Audit Report Code 97-6, DEH Contractor Support Invoices. The audit objective was to determine if the incoming contractor's invoices for Phase-In and Stand-By costs, are valid. The DEH requested IRAC perform the review. IRAC auditors issued an opinion as to the accuracy of proposed charges, and recommend that the Defense Contract Audit Agency (DCAA) examine the subject costs before making payments. The auditors suggested that the Directorate of Contracting follow-up on other contractual matters addressed in the audit. Auditors identified about \$70K as "disallowed" costs, and DCAA is in the process of performing a review of questioned costs.

Audit Report Code 97-7, Utility Sales. The overall audit objective was to determine if the Directorate of Public Works (DPW) was charging the appropriate activities for utilities and if the methodology used to determine the utility rate was valid. IRAC auditors found that DPW did not charge all activities equitably for utility expenses. DPW also did not bill all tenants, contractors, private organizations, and nonexempt category "C" Morale, Welfare, and Recreation activities for utility expenses. DPW under-billed the colleges for their utilities. DPW was billing 78% of reservation and commodity fees directly to Family Housing rather than billing them to activities based on usage. DPW inadvertently sent double bills for distribution system costs. DPW was using a locally developed software application that was inefficient and required entering the same data in four different places. Also, DPW had not installed meters on all reimbursable customers' buildings where annual gross revenue equaled or exceeded ten times the cost of installation. Auditors identified potential monetary benefits of \$1,400,000 from the proper use of the most efficient fuel source and the potential increase in revenue from billing Transient Housing for utilities.

Audit Report Code 97-8, Operation Appreciation. The audit objective was to evaluate collections and disbursements and related controls to ensure proper collections, deposits, and disbursements of funds. IRAC auditors determined that staff did not follow proper control procedures. Additionally, the staff did not reconcile collections prior to preparing purchase orders and making disbursements. These weaknesses allowed embezzlement of approximately \$9,500 in receipts to go undetected. Audit recommendation included oversight controls that would enhance collection and purchase order request procedures. IRAC auditors also assisted Criminal Investigation Command in their investigation and Staff Judge Advocate in the prosecution of the case. The auditors concluded that command could recoup the \$9,500.

U.S. ARMY TRAINING AND DOCTRINE COMMAND  
FORT MONROE, VIRGINIA

Synopsis of Significant Audit Reports

For the Report Period

1 October 1996 through 31 March 1997

(Continued)

Audit Report Code 97-9, Material Returned for Credit to the Wholesale System. The installation's Chief of Staff requested the audit as a result of a USAAA Summary Memorandum issued on 21 November 1996 following their audit of Defense Business Operations Fund, Army FY 96 Financial Statements. IRAC's audit objectives were to determine if the installation had failed to ship \$14 million of material within 60 days of receiving disposition instructions from the wholesale level. Command also, wanted to know if the installation was losing funds because of late returns to the wholesale level. Finally, IRAC was asked to determine if the installation was incurring costs to ship items the wholesale level no longer wanted returned. IRAC auditors found there is no incentive for the installation to meet the imposed deadlines for items under MRP. Installation activities get their credits at the time they turn in an item to the Supply Division. Wholesale level may or may not issue a credit to the stock fund. If wholesale level does issue a credit, it goes back into the stock fund, not into the installation funds. Additionally, the Integrated Item Manager reimburses costs for returns from DoD users to supply stock inventories, including stock fund returns with or without a credit. The installation does not use OMA funds for shipping return items.

Audit Report Code 97-10, Retail Supply Operations. The audit objective was to evaluate the adequacy of controls over supply operations. IRAC auditors found that supply personnel did not base supply levels on proper factors for a significant portion of stocked items. Command directed line items exceeded recommended levels and were not being adequately reviewed. Management did not adjust and properly report inventory discrepancies. The result was that the stockage on hand exceeded minimum quantities required to support mission and readiness requirements. IRAC auditors identified \$607K in potential monetary benefits.

Audit Report Code 97-11, Overtime in the Fire Department. The audit objective was to determine if the fire department required overtime. IRAC auditors found that the extensive overtime in FY 96 occurred because management did not staff the fire department at the minimum level needed to allow routine time off. Additionally, management sent three fire fighters to long-term training at the same time. The auditors determined that hiring two fire fighters would eliminate most overtime resulting in a cost avoidance of \$84K over the POM years.

U.S. ARMY TRAINING AND DOCTRINE COMMAND  
FORT MONROE, VIRGINIA  
Synopsis of Prevention Efforts  
and Management Improvements  
For the Report Period  
1 October 1996 through 31 March 1997

IRAC at this installation initiated and worked with base officials to develop a successful Base Operations Opportunity Leveraging and Development (BOLD) Grant nomination. The BOLD grant nomination was for a replacement recycling facility and new equipment to include a horizontal baler with conveyor system and a loader. The facility and equipment will enable the installation to sustain and expand its recycling program in accordance with Executive Order 12873 and DOD and MACOM policies. Command expects to recoup the initial investment of 409K in thirteenth month. Savings accelerate in years 2 through 5 proportionally to the percentage of materials recycled and taken out of the waste stream. Five year projected return on investment is \$2,529K.

Activity Based Costing. Command gave IRAC the lead to implement an Activity Based Costing system within the BASOPS directorates. This is the first installation in this MACOM to initiate such a system. IRAC completed the second Activity Based Costing model in early January using the rapid prototype approach. Contracting Officers from the Directorate of Contracting (DOC) developed the prototype. Internal Review facilitated the session. The team from DOC developed an implementation plan to complete their working model. The Directorate of Logistics completed and populated the resource module ABC model with FY 1996 obligation data. The Director of Logistics at Camp Lejeune, NC invited the Chief of Internal Review to facilitate a three day rapid prototyping session in March 1997.

Hazardous Material (HAZMART) Minimization Center. An IRAC auditor successfully sold her idea for this hazardous material minimization program to the command. She is the Project Leader for development and implementation of the total program. The auditor put together a successful BOLD Grant request. Consequently, the MACOM awarded \$246,000 to the installation in FY 96, to build a facility and start the program. This auditor also put together a successful BOLD Grant package for FY 97. TRADOC awarded the installation \$ 300,000 for operation of the HAZMART for FY 97. In July 1996, TRADOC nominated the Fort Huachuca HAZMART to be the prototype for the Department of the Army.

U.S. ARMY TRAINING AND DOCTRINE COMMAND  
FORT MONROE, VIRGINIA  
Synopsis of Prevention Efforts  
and Management Improvements  
For the Report Period  
1 October 1996 through 31 March 1997  
(Continued)

Integrated Sustainment Maintenance (ISM). The overall objective is to bring the installation "on-line" in the ISM program. Internal Review took the initiative in the implementation of the ISM Program at this installation. The program requires the command to bid on internal and external maintenance work. The auditor accumulated cost data, refined the methodology used in developing the ISM rate, and finally, computed the rate for use in the bidding process. Additionally, the auditor provided pertinent information to Directorate of Resource Management (DRM) and Directorate of Logistics (DOL) on the potential budgetary impact of ISM. The auditor also provided to DRM the procedures on how the installation will be reimbursed for work done for other installations. Based on FY 96 data, IRAC expects the ISM program to save the installation at least \$300,000 in the maintenance arena on an annual basis.

U.S. ARMY TRAINING AND DOCTRINE COMMAND  
FORT MONROE, VIRGINIA  
Statistical Information  
For the Report Period  
1 October 1996 through 31 March 1997

<b>DOD INSPECTOR GENERAL SEMIANNUAL REPORT TO THE CONGRESS</b>		<b>NAME OF ORGANIZATION HQ TRADOC Office of Internal Review and Audit Compliance Fort Monroe, Virginia</b>		<b>REPORT CONTROL SYMBOL RCS-IG (SA) AS OF 31 March 1997</b>		
<b>SCHEDULE 1</b> AUDIT, INSPECTION & INVESTIGATIVE ACTIVITIES - CIVILIAN AND MILITARY PERSONNEL STRENGTH*						
ORGANIZATIONAL ELEMENT	CIVILIAN		MILITARY		TOTAL	
	AUTHORIZED (1)	ACTUAL (2)	AUTHORIZED (3)	ACTUAL (4)	AUTHORIZED (5)	ACTUAL (6)
1. AUDIT						
a. CENTRAL AUDIT **						
b. OTHER AUDIT/INTERNAL REVIEW***	62	65	0	0	62	65
c. CONTRACT AUDIT						
d. TOTAL AUDIT	62	65	0	0	62	65
2. INSPECTION						
3. INVESTIGATION						
4. TOTALS	62	65	0	0	62	65
<b>SCHEDULE 2</b> AUDIT, INSPECTION & INVESTIGATIVE ACTIVITIES PROFESSIONAL AND ADMINISTRATIVE /SUPPORT PERSONNEL*						
ORGANIZATIONAL ELEMENT	PROFESSIONAL PERSONNEL		ADMINISTRATIVE/SUPPORT PERSONNEL		TOTAL	
	AUTHORIZED (1)	ACTUAL (2)	AUTHORIZED (3)	ACTUAL (4)	AUTHORIZED (5)	ACTUAL (6)
1. AUDIT						
a. CENTRAL AUDIT **						
b. OTHER AUDIT/INTERNAL REVIEW ***	59	60	3	5	62	65
c. CONTRACT AUDIT						



d. TOTAL AUDIT	59	60	3	5	62	65
2. INSPECTION						
3. INVESTIGATION						
4. TOTALS	59	60	3	5	62	65

\* Do not include augmented staff of some military components to supplement authorized strength. If information on augmentees is available, show as a footnote.

\*\* Central Audit refers to the AIG-AUD, Army Audit Agency, Naval Audit Service, and Air Force Audit Agency.

\*\*\* Specify type of activity, e.g. internal review, military exchange, nonappropriated fund instrumentality.

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<b>DOD INSPECTOR GENERAL SEMIANNUAL REPORT TO THE CONGRESS</b>		<b>NAME OF ORGANIZATION HQ TRADOC Office of Internal Review and Audit Compliance Fort Monroe, Virginia</b>		<b>REPORT CONTROL SYMBOL RCS-IG(SA) FOR THE 6 MONTH PERIOD ENDING 31 March 1997</b>	
<b>SCHEDULE 3</b> <b>OPERATING COSTS AUDIT, INSPECTION AND INVESTIGATIVE ACTIVITIES</b>					
<b>ORGANIZATIONAL ELEMENT</b>	<b>OPERATING COSTS</b> (\$ IN THOUSANDS)				
	<b>CIVILIAN PERSONNEL (1)</b>	<b>MILITARY PERSONNEL (2)</b>	<b>TRAVEL (3)</b>	<b>OTHER (4)</b>	<b>TOTAL SIX MONTHS COSTS (5)</b>
1. AUDIT					
a. CENTRAL AUDIT *					
b. OTHER AUDIT/INTERNAL REVIEW**	1,802.6	0.00	24.6	11.0	1,838.2
c. CONTRACT AUDIT					
d. TOTAL AUDIT	1,802.6	0.00	24.6	11.0	1,838.2
2. INSPECTION					

3. INVESTIGATION					
4. TOTALS	1,802.6	0.00	24.6	11.0	1,838.2

\* Central Audit refers to the AIG-AUD, Army Audit Agency, Naval Audit Service, and Air Force Audit Agency

\*\* Specify type of activity, e.g., internal review, military exchange, nonappropriated fund instrumentality.

#### NOTE - AUDIT REPORTS ISSUED

FULL SCOPE	28
QUICK REACTION	43
STUDIES	14
FOLLOWUP	<u>12</u>
TOTAL	<u>97</u>

<p align="center"><b>DOD INSPECTOR GENERAL SEMIANNUAL REPORT TO THE CONGRESS</b></p>	<p align="center"><b>NAME OF ORGANIZATION HQ TRADOC Office of Internal Review and Audit Compliance Fort Monroe, Virginia</b></p>	<p align="center"><b>REPORT CONTROL SYMBOL RCS-IG(SA) FOR THE 6 MONTH PERIOD ENDING (Enter Date) 31 March 1997</b></p>
<p align="center"><b>SCHEDULE 4*</b> MONETARY BENEFITS BY FUNCTIONAL AREA ASSOCIATED WITH INTERNAL AUDITS (CENTRAL AUDIT, INTERNAL REVIEW &amp; MILITARY EXCHANGE)</p>		
<p align="center"><b>FUNCTIONAL AREAS (As defined in Chapter 6 of DoD 7600.7-M)</b></p>	<p align="center"><b>POTENTIAL MONETARY BENEFITS (\$ IN THOUSANDS)</b></p>	
1. RESEARCH AND DEVELOPMENT		
2. TEST AND EVALUATION		
3. MAJOR SYSTEMS ACQUISITION		
4. PROCUREMENT - INVENTORY CONTROL ACTIVITIES		
5. PROCUREMENT - RESEARCH AND DEVELOPMENT		
6. PROCUREMENT - OTHER	744.0	
7. CONTRACT ADMINISTRATION	1,470.0	
8. FORCES MANAGEMENT		
9. MAINTENANCE AND REPAIR OF EQUIPMENT		
10. REBUILD AND OVERHAUL OF EQUIPMENT		
11. MANUFACTURING AND PRODUCTION		
12. SUPPLY OPERATIONS - WHOLESALE		
13. SUPPLY OPERATIONS - RETAIL	2,499.1	
14. PROPERTY DISPOSAL		
15. CIVILIAN PERSONNEL MANAGEMENT	84.0	
16. MILITARY PERSONNEL MANAGEMENT	14,800.0	
17. REAL AND INSTALLED PROPERTY		
18. CONSTRUCTION		
19. INFORMATION TECHNOLOGY	9.0	
20. INTELLIGENCE AND SECURITY		
21. COMMUNICATIONS		
22. TRANSPORTATION		
23. MILITARY PAY AND BENEFITS		
24. CIVILIAN PAY AND BENEFITS		
25. PROGRAM AND BUDGET		
26. OTHER COMPTROLLER FUNCTIONS	249.0	
27. SUPPORT SERVICES	40.0	
28. NONAPPROPRIATED FUND ACTIVITIES	2,817.3	
29. SECURITY ASSISTANCE PROGRAM		
30. COMMERCIAL ACTIVITIES PROGRAM		
31. INVESTIGATIVE SUPPORT		

32. HEALTH CARE	
33. AUDIT COMPLIANCE SERVICES (FOLLOWUP)	1,090.3
34. OTHER	
35. TOTAL	23,802.7

\* Data reported must conform to that reported pursuant to DoDD 7650.3. Include a separate schedule for reports reported in Part II of DoDD 7650.3, and a separate schedule for each category of other reports reported in Part V of the DoDD.